

2018

This Bud's For Who? Craft Brewing and the Transformation of the American Beer Industry

Joshua E. Orel

Johnson & Wales University - Providence, JOrel01@wildcats.jwu.edu

Follow this and additional works at: https://scholarsarchive.jwu.edu/student_scholarship



Part of the [Arts and Humanities Commons](#)

Repository Citation

Orel, Joshua E., "This Bud's For Who? Craft Brewing and the Transformation of the American Beer Industry" (2018). *Honors Theses - Providence Campus*. 32.

https://scholarsarchive.jwu.edu/student_scholarship/32

This Honors Thesis is brought to you for free and open access by the College of Arts & Sciences at ScholarsArchive@JWU. It has been accepted for inclusion in Honors Theses - Providence Campus by an authorized administrator of ScholarsArchive@JWU. For more information, please contact jcastel@jwu.edu.

This Bud's For Who? Craft Brewing and the Transformation of the American Beer Industry

By Joshua E Orel

Advisor: Dr. Ann Kordas

Submitted in partial fulfillment of the requirement for the 'University Honors Scholar'
designation at Johnson & Wales University
2018

Table of contents

Acknowledgements	2
Abstract	3
Introduction	4
History	7
Big Beer: How We Got Here	15
Current State	24
Where We're Going	32
Conclusion	38
Works Cited	39

Acknowledgements

This thesis would not have been possible without the support of various Johnson & Wales University professors including, but not limited to, Dr. Ann Kordas, Dr. Wendy Wagner, and Dr. Kristi Girdhar. I would also like to thank my various chefs throughout my young career including Chef Kari Naegler of Wegmans Food Markets and Chef Steven Johansson of Johnson and Wales University for teaching me a love of all things delicious.

In addition, I would like to thank my family. I thank my mom, Janis Orel, for being an amazing sounding board. I thank my Dad, Howard Orel, for teaching me that life is too short not to enjoy. I thank my amazing twin brother, Evan, for keeping my crazy personality a little bit less crazy. I would also like to thank my cousin, Dan Eisenberg, for helping me come up with the idea for this thesis. In conclusion, I would like to thank my best friend Stew, who has been like a brother to me over my college career. I would not be here without all of them and I love them all dearly.

Abstract

For this project I will be exploring how the history of beer has led to craft brewers competing against large brewers. Scholars (Reid, Watson, George) usually look at the issue from the craft brewer's side or the macrobrewers' side. They also go to great lengths to define each category from large brewers, to craft brewers, and more obscure categories such as microbrewers and brewpubs. Scholars also differentiate how large brewers and craft brewers appeal to their customers bases and how those bases have changed over time. In addition, they define the large beer conglomerate that now controls an astronomical percentage of the beer market. They also look at craft-style beers that were created by the large breweries in an attempt to defeat craft brewers at their own business. I think the gap in the research relates to history. Amy Mittelman's book, *Brewing Battles: A History of American Beer*, does a phenomenal job examining the history of beer. I want to look at history because I believe there has to be a historical precedent for what we are seeing now in the beer industry. I think it's important to note that large brewers didn't always exist, especially here in the US. Determining how the history has helped create what we see now in the beer industry will help determine where beer is going in the future. My method will draw from strong academic research to prove my argument. In addition to traditional academic sources, I will use company presentations and detailed financial information to help with my argument. I feel that my research will be beneficial for both consumers and producers of beer and of alcohol in general.

Introduction:

Starting a thesis about beer is no less complicated than starting a thesis about life itself. Beer can be approached from any angle. It can be discussed by anyone from any time period since its inception. A simple google search about beer yields jokes from commoners, important lessons from the world's most recognizable names, stories about drunkards, alehouses, and long walks on the beach. Beer relates to every emotion known to humanity. Modern pop culture continues to show beer in varying forms, from TV's Cheers to the endless laughs of Animal House, to the huge variety of drinking songs. Contemporary Americans see an endless quality of beer advertisements in variety that ranges from simple coasters at bars to multimillion-dollar commercials. Beer is accessible to most drinkers. Everyone, from the President of the United States (excluding Trump), to the poor worker struggling to support their family can still sit down and enjoy a beer. This list could go on forever. Each reader of this thesis probably has their own stories relating to beer. That is what makes beer so incredibly special to write about. It seems to be one of the more relatable topics out there.

When deciding how to approach beer, another struggle arises. Does one approach it from an economic point of view? Does one look at advertising? Does one look at beer history and how it relates to any particular demographic? There is a biographical approach, examining who change beer during a particular period and why. One could go into more detail and explore a particular beer making family, such as the Coors Family or the Anheuser family. One documentary produced by the Discovery Channel was even titled *How Beer Saved the World*. All of those things had been done before. The key to this thesis was doing something different.

The epiphany came on from the realization that some beer tasted different from other beer. Some beer seemed to have more flavor. The cans and bottles it came in were more

interesting to read. They were not commonly advertised on television. Their names were not on racing cars or on outfield walls at baseball parks. Its brewers had stories about family ties and local industry. The names of the beers were interesting and had local connection. It was far more appealing in that way. Within a few minutes of reading, the phrase craft beer came to light.

It quickly became apparent that craft beer had its own unique stories and literature. It appealed to certain people in certain places. Interestingly enough, it was everything but ubiquitous. In fact, craft beer, initially, seemed mysterious. There was a sub-culture hiding in the underbelly of the beer industry that, in comparison to beer itself, was still in its teenage years. Then lead to the revelation that truly began the thought process behind this thesis. Between the two sides, between the ubiquitous and the plain, there was a David vs Goliath battle being fought in the beer industry.

Then came the next step, defining both sides. The first side was obviously craft beer. However, upon further investigation, it turned out that the craft beer industry had a set of idiosyncrasies. There were craft brewers, contract brewers, brewpubs, microbrewers, home brewers, and everything in between. There was an immense amount of information available on each category. However, it seemed most prudent to look at the entire realm within the context of craft brewing in general.

The other side, as it turned out, was big beer. As it turned out, this included every brewer that did not fit into one of the subcategories of craft brewing. The number of players was rather small. Further study confirmed that these were large corporations that owned large brands of beer, mostly the beers that plaster the baseball parks and race cars mentioned in the paragraphs above. Delving deeper revealed some confusing information. First of all, the large brewers were in constant flux. Over the past decade, various mergers and acquisitions had created the brewers seen today. These brewers control huge percentages of the beer industry. Interestingly enough,

they even began to blur the lines between craft brewers and themselves by purchasing craft breweries will still making them appear unchanged to the general public.

With all of that in mind., it seemed like exploring the relationship between craft breweries and large brewers would be a logical objective. Looking to the world-wide stage was far too broad for a thirty-five-page thesis. That would, in all probability, require years of research. Complications would have included the language barrier, differences in drinking age, and monetary conversions just to name a few. Thus, focusing on the United States made far more sense.

With all of the above in mind, this thesis will attempt to conquer a few objectives. It will describe a history of beer in general from just before the United States was formed to the modern day. It will give detail able the varying segments of the craft beer industry. It will describe how big beer became the colossus that it is today. It will also craft a basic understanding of the current environment of the beer industry in relation to craft beer versus big beer. It will then use all of that information in order to craft an educated prediction about where the beer industry is going in the future.

History

The history of beer is extremely diverse in comparison to today's beer market. In fact, the history of beer predates the signing of the Declaration of Independence by 5,175 years (Andrews). Beer's amazing journey from humble grains in ancient fields to cases upon cases of cold, ready to drink beer is no less complicated than human history itself. Civilizations survived on beer. The ancient Sumerians were so reliant on beer that they had a goddess of beer named Ninkasi. Even back then, they were aware of the fact that beer was a safer alternative to water. Far before the first nutritionists walked the earth, they realized that an additional benefit of beer was its provision of essential nutrients to consumers (Andrews). In the interest of full disclosure, what the Sumerians were drinking out of clay pots hardly resembles the suds Americans drink today, flavored with olive oil, dates, and other items most consumers would scoff at in the contemporary beer market (Andrews). It was not until the middle ages, around 1000 AD that Christian monks figured out the beautiful concoction that is beer flavored with the female flowers of a particular vine in the Cannabaceae family, hops (Raley, Andrews,). This would change beer forever and lead to the inspiration behind this thesis, a hoppy variety of beer known as the Double India Pale Ale. Jump forward two hundred years, when beer became a commercial product in Europe, and regional preferences that are seen to this day began to develop (Raley). The Germans soon invented lager, which would go on to become one of America's favorite beer varieties (Raley). Only seventy years later, in the 1490s, Christopher Columbus observed Native Americans making beer "from corn and black birch sap" (Raley). This began the recorded history of American beer.

The next large step came in 1620, when the Mayflower and its crew of Pilgrims landed in Plymouth Harbor. Now why, out of the entire eastern shore of the North America, did the Pilgrims land in Plymouth? The answer was comically simple. They ran out of beer.

The Mayflower's crew was afraid a prolonged journey had not left them with enough beer to get home; so, they dropped the Pilgrims off in Plymouth, keeping all of the beer for themselves. In the words of a Pilgrim "we could not now take time for further search or consideration, our victuals being much spent, especially our beer" (Bamforth 35). Granted, the Pilgrims did come prepared with brewing equipment for their lives in the New World (Mittelman 6). By the first Thanksgiving, they had learned how to adapt locally available ingredients to the beer making process with information gained from Native Americans (Mittelman 7). A decade and a half later, American colonists were brewing their own beer with barley planted generations before (Mittelman 7).

Early American settlers were not brewing beer in huge stainless-steel tanks at massive breweries. Brew masters and alewives were brewing beer in smaller quantities. Today, home brewing takes place as a hobby. Back then, it was a matter of necessity. Beer was the only safe thing to drink. However, unlike today's beers, which can be safe six months after production, beer went bad quickly. There was also no such thing as a distribution network. Producing beer at home was the only logical solution because it ensured beer could be consumed before it became unsafe. Women were the brew masters of their time, brewing beer in a large pot over the hearth that was also used for cooking (Mittelman 7). Women were able to do this along with all of their other work in the home, which was very time consuming. This was logical as men at the time were responsible for working outside the home or farming their own land to gain an income, while women stayed at home working to take care of the family.

The colonists were enterprising individuals. According to Amy Mittelman, "some of the households that produced beer for their own consumption evolved into rudimentary drinking establishments or "ordinaries"" (Mittelman). These were the precursors of the taverns and bars of today. By the 1670s, some of these ordinaries had scaled up production in order to sell to ships

(Mittelman 7). However, it is important to note, “in 1612, Adrian Block and Hans Christiansen founded the first known brewery in the Americas in New Amsterdam, modern day Manhattan” (George 72). The first public brewery in the US was opened in Manhattan in 1632 (Bamforth 36). Between 1695 and 1876, the city had over twenty breweries in operation (Mittelman 10).

As brewing grew more popular in America, beer production began to grow more complicated. Unlike modern beer production, in which the beer ingredients move directly from the farmers to the breweries, there was an intermediate step. This step was creating malt, “barley or other grain that has been steeped, germinated, and dried, used for brewing or distilling and vinegar-making” (Malt). Joseph Adams, grandfather of Samuel Adams, ran one of these early malthouses (Mittelman 8). Other founding fathers would go on to impact the beer industry as well, including, but not limited to, Thomas Jefferson and George Washington (Mittelman 16). Jefferson was so infatuated with the beverage that he invited the first “Bohemian” brewers to the United States in an attempt to boost the sale of domestic beer and limit imports from England (Mittelman 16). This an early example of a president directly protecting an American industry from import reliance.

In the mid 1800s, there was a huge influx of German immigrants to the US (Mittelman 20). Like all immigrants they brought their culture with them, particularly their favorite foods and beverages. Their beer of choice was lager. Americans grew to love it too, as they do to this day. This caused American consumption of beer to increase three hundred percent per capita between 1840 and 1860 (Mittelman 20). This entire trend started with John Wagner, a Bavarian brewer who took passage on a clipper ship in order to get his yeast to America alive (America’s First Lager Historical Marker).

Despite the growth of American beer, it still only accounted for a marginal portion of the nation's gross domestic product right before the American Civil War. At the time, New York was the nation's beer leader, "with a product valued at \$6,320,724" per year (Mittelman 21). It's important to note that, before the civil war, there was no such thing as a macro brewery. Rather, there was many small organizations acting independently of one another (Mittelman 21).

Note that no southern states have been mentioned thus far. This is in part due to the region's weather. The south tends to stay warm throughout the year. This made transporting beer extremely difficult. (Back then beer was transported in barrels and needed to be shipped at cooler temperatures.) Rather than beer, spirits became the drink of choice because they held up well to the southern heat (Mittelman 8).

The Civil War broke out in 1861, and America would never be the same. Somewhat less importantly, the Civil War also had a vast impact on American beer. It all began with taxes. All of a sudden, the country needed a strong army. They had no way to provide for it economically. Current levels of taxation were not enough to provide for the military. They made up part of the difference by taxing alcohol, among other things (Mittelman 24). These taxes lived on past the war. "American brewers contributed over \$73 million in taxes to the federal government in 1900", at the same time producing about six times more beer in 1900 than they had thirty years previously (Mittelman 38). During the same time frame, the number of breweries in the United States decreased by nearly half from 1873 to 1900. (Mittelman 40).

A contribution to this change was Captain Frederick Pabst, who helped change tax law to allow breweries to bottle their beer right away, rather than kegging it first, as tax law of the time required, allowing them to increase production (Mittelman 40). Pabst was the nation's largest brewer by 1895, with his flagship brand being Pabst Blue Ribbon. (Mittelman 40). Pabst, along with most other brewers, took advantage of new technologies of the time, refrigeration and

pasteurization (Mittelman 39). This allowed brewers to keep their beer fresher for a longer period of time (Mittelman 39). Prior to the advent of refrigeration, the centers for nationalized distribution of beer were cities in the Midwest like St. Louis and Milwaukee because they had a centralized location, a large concentration of brewers and easier access to ice, the only method of cooling beer available before refrigeration. Ice was also important because lager beers needed to be held cold in the process known as lagering. The ice and cold caves around Lake Michigan facilitated this, allowing the beer to stay fresh for increased consumption in summer months (Bamforth 37).

Taxes caused additional difficulties for the beer industry. As more beer was being produced, and transportation costs became a necessity, profits suffered (Mittelman 64). Seizing the opportunity, British investors swooped in and bought up some American breweries, selling shares of them back at home. In 1889 eighteen St. Louis breweries formed the St. Louis Brewing Association, controlled by an English syndicate. In 1906, nine more breweries formed the Independent Breweries Corporation, both would be in operation until prohibition. (Mittelman 64). Soon, more conglomerates would show themselves in other American cities. (Mittelman 64). This would be the first time in American history that a group of breweries were bought by foreigners, but not the last.

In 1879, the E. Anheuser & Company became the Anheuser-Busch Brewing Association with their primary beer being a lager called Budweiser. There were a lot of breweries in St Louis at the time. The company's answer to that problem was to expand distribution. They did this by starting their own company to build refrigerated rail cars and a system of ice houses to keep the beer fresh (An Ambitious Legacy). The company's leader, Adolphus Busch, was also keen at advertising, creating an advertisement based on a painting by Cassilly Adams (Mittelman 49). This helped cement the legacy of memorable Budweiser advertising that

continues to this day. They were the number one brewery in America by 1901, managing to stay independent throughout the wave of mergers mentioned above (Mittelman 65).

Prohibition came in 1920. In total, 478 breweries were no longer able to produce beer (Bamforth 11). In order to get through the tough times, some breweries sold yeast and malt syrups. People bought these and used them to brew their own beer at home. The government did not go after these home brewers during prohibition (Mittelman 89). Furthermore, some brewers produced “near beer”. Some even produced ice cream (Bamforth 11).

On March 12, 1933, President Roosevelt sent a message to Congress asking for beer with 3.2% alcohol or less to be allowed under the Volstead Act (Mittelman 98). He was following through on one of his campaign slogans, “A New Deal and a pot of beer for every one” (Bamforth 12). Production of beer finally resumed April 7, 1933 (Mittelman 98). (April 7 is currently celebrated as National Beer Day). Prohibition would end entirely less than a year later.

An interesting fact from the time period is that two years after prohibition ended, the first canned beer was produced. Despite their advantages, only 37% of American brewers were using cans in 1941 (Mittelman 106). (Cans were lighter and sturdier than bottles, allowing beer to be transported greater distances (Bamforth 43)). This is in stark contrast to today, where most beer is sold in cans. Some beer is not sold in bottles at all.

Further consolidation of the beer market occurred in the late 30s and early 40s. In 1939, one out of every three barrels of beer sold were being produced by twenty-one breweries (Mittelman 119). The total number of breweries US continued to decrease further concentrating the market with large manufacturers through World War II (Mittelman 152). Big breweries bought small breweries as they closed their doors. The government saw some of this as a problem. They sued a Pabst-owned company in Milwaukee for antitrust violations for the

company's formation in 1950 (Mittelman 153). By the 70s, small and large brewers had become differentiated (Mittelman 186). One of the most significant transactions which indicated that brewing was moving firmly away from its nineteenth century heritage occurred on June 10, 1982, when the Stroh Brewing Company of Detroit purchased Schlitz. Stroh was a regional brewer at the time and Schlitz was one of the nation's largest (Mittelman 170).

In 1967, another innovation in beer was introduced. Joseph L. Owades was a brewer and biochemist. He created a unique process for removing the starch from beer, making it healthier than regular beer, which was more caloric and had a higher starch content. According to Owades, "When I got into the beer business, I used to ask people why they did not drink beer. The answer I got was twofold: One, 'I don't like the way beer tastes.' Two, 'I'm afraid it will make me fat'." His product, Gablinger's Diet Beer, was not a huge success. He gave the formula to a friend at another brewery. In the early 70s, Miller purchased the rights to the process and Miller Lite was born (Bernstein). (To this day, Miller brands itself as "the original light beer"; they're wrong.) Other breweries would follow in their lead, including Budweiser and Coors.

In 1978, homebrewing became legal again under president Jimmy Carter. (It had been illegal since 1935). It set a limit of 100 home brewed gallons of beer or wine per person per year. An unintended, but pleasant, after effect was a boost to what would soon grow into its own unique sub-industry, craft brewing. Subsequently, The Association of Brewers was founded to represent home and microbreweries, two distinct subcategories of beer producers (Mittelman 186). They describe their purpose as "To promote and protect American craft brewers, their beers and the community of brewing enthusiasts" (Brewers Association Purpose).

The history of beer and brewing in the United States continues to evolve. It had extremely humble roots. Before white settlers arrived in America, American beer was simply a

Native American necessity. As settlers arrived and the United States came to fruition, beer turned into something that became uniquely American. Beer grew from small home-brewers to where we see it today. It is now an American tradition with a story as vibrant as any other industry. This thesis barely scratches the surface of beer's unique story. It does not intend to. This is merely a brief narrative of how we arrived at the current state of the beer industry. The next section of this thesis will describe the idiosyncrasies of the contemporary beer industry including its pitfalls, tribulations, and successes.

Big Beer: How We Got Here:

Brewing conglomerates such as Anheuser-Busch InBev and Molson Coors are extremely confusing businesses. They are referred to in many different ways. Some call them the big two. Some call them large breweries. This paper has been referring to them as “macro breweries”, big breweries, and large breweries. The names of the companies themselves becomes even more confusing. Each time a new merger occurs, company names can change in an instant. Trying to keep up with these changes, it seems, is nearly impossible.

Anheuser-Busch InBev is by far the largest brewer in the world. (Note the world brewer. InBev does not brew beer themselves. They’re a company that owns breweries.) Their nomenclature has changed a lot recently. In 2008, American brewer Anheuser Busch was sold to InBev, a Belgian brewing company. Now Anheuser-Busch InBev, they purchased SAB Miller, one of their top competitors, in 2015 (Anheuser-Busch InBev). Besides Budweiser and Busch, other beers brewed by InBev include Goose Island, Corona, Becks and countless others.

Another big brewing conglomerate is Molson Coors. Their history is nearly impossible to follow, with various mergers, acquisitions, and separations dating from 1774 to 2016, when Molson Coors bought what was left of Miller Coors from SAB Miller, which was then a part of InBev, more on that down below (Our History). Besides Molson and Coors, other beers brewed by Molson Coors include, but are not limited to, Blue Moon, Leinenkugel’s, and Keystone.

The confusion does not end with company names. (Simply examining the sheer number of breweries owned by macro brewers is mind boggling.) Molson Coors currently owns nearly 100 individual beer brands (Our History) According to their website, InBev owns over 500 individual brands (Our Brands). These figures are staggering. 10 brewers controlled

51% of the world beer market in 2016 (Roach). In 2017, InBev alone controlled 45% of the US beer market (Team). Think about that; it means that 45 out of every 100 beers purchased by Americans in 2017 was produced by one company. This part of the thesis will focus on InBev, examining its components and why they are so wildly successful.

InBev's first beer, Lefe, was started in Belgium over 800 years ago, and Germans began making their own beer too around that time. In 1777, Bass beer, one of InBev's first brands began production in England. In the 1800's, the beer industry expanded in Canada. Eberhard Anheuser took control of St Louis's Bavarian Brewery in 1860. He would go on to found the Anheuser-Busch Brewing Association with Adolphus Busch, distributing their beer on new refrigerated rail cars. There were a few developments in the 1900's. Stella Artois was created in Belgium. Grupo Modelo, combining Corona, Pacífico, and others, became a powerhouse in Mexican Brewing (Our Heritage). SAB (South African Breweries) was also formed. Breweries in Australia and South Korea were also formed during this time.

During the 2000's, the largest mergers ever seen in the beer industry began to occur, creating what has been referred to in this paper as Macro breweries. InBev was an international brewing company originally founded in 2004 when Brazil's AmBev and Belgium's Interbrew SA combined. (AmBev was a brewing conglomerate founded in 2000 and was the world's fifth largest brewer at the time of the merger). This made InBev the world's largest brewer, a position they still hold to this day from their headquarters in Leuven, Belgium. Four years later, InBev acquired American brewer Anueuser-Busch for \$52 million to form Anheuser-Busch InBev. The transaction was completed in November 2008 (Anheuser-Busch InBev). In 2016, Anheuser-Busch InBev bought SAB Miller. As part of the truncation, SAB Miller sold its part of MillerCoors to Molson Coors (MillerCoors).

At that point forward, Anheuser-Busch InBev cemented itself as the largest brewer the world has ever seen. Of course, one could write an entire book on the ethics of the merger and whether or not the government should have allowed it to happen in the first place. (Proving that the merger created a monopoly in the beer industry would be far from difficult.) To this day, InBev has maintained its dominance over the beer industry. With former monoliths, such as Sears and Applebees, faltering so rapidly in recent years, why has big beer managed to stay on top? (Besides expense, it appears that craft beer should be winning every customer in the American market.) The answer comes down to a number of factors.

Ranjit Dighe, an economist, looked at why lighter, mass produced American beers were so popular. According to Dighe, "Americans have preferred to drink bland beer for more than a hundred years" (Ferdman). That is a bold hypothesis, especially considering many people's distaste for the mass-produced lagers and pilsners that crowd store shelves. According to Dighe, the temperance movement in the late 1800s began the trend. During that time period, beers with low alcohol content (which were also low on flavor) were consumed by temperance devotees. Even when the temperance movement faded from popularity, Americans still retained their preference for lighter tasting beers (Ferdman).

Prohibition did not help. It turns out that people drank clear spirits rather than beer during that time period (1920-1933) for a simple reason. Clear spirits were far easier to conceal than beer. Even post prohibition, most of the beer available was of the lighter variety. Hoppy, full flavored beer was available, but there was simply not a lot of interest. Less than ten years later, World War II broke out. There was a lot of rationing during the war. Grain, one of the main ingredients in beer, was not immune, making grain extremely expensive. This meant that producing fuller flavored, higher alcohol beers became cost prohibitive (Ferdman).

During world War 1, the military was dry. An entire generation of soldiers received weaker beer in their rations. The beer was only 3.2% alcohol. (To put that into perspective, modern day Budweiser is 5% alcohol). This was not considered intoxicating by the US Military (Cabras, Higgins). At the end of World War II, the president of the Master Brewers association of America predicted that "the majority of consumers will probably favor a beer pale in color and with an agreeable, mild hop flavor without any bitter after-taste" (Ferdman). He was correct.

Lighter beers permit a different form of beer consumption than full flavored craft brews. People can drink more light beer in one sitting than stronger beer. (To put that into perspective, it is easier to drink 3 glasses of water than 3 glasses of soda). Dighe says that Americans want to be able to consume a lot of beer. This means consuming beers that are neither too heavy nor too alcoholic. Even craft brewers are catching onto this trend, creating Session IPAs that are designed to be consumed in a more social environment over a longer period of time (Ferdman).

Another component of the appeal of big beer is television advertising. In 1947, Budweiser started advertising on television. In 1957, Budweiser became the top selling beer in America due in part to its presence on TV. They started sponsoring Major League Baseball and the National Football League by the late 1970s. As of 2009, 60% of sports fans were beer drinkers. It makes logical sense that InBev would target sports fans with their marketing. In response to pressure from advocacy groups, Budweiser changed its message to remind people not to drink and drive along with messages about underage drinking. (They went as far as pulling certain advertisements that were said to encourage underage drinking) This helped popularize the idea of the designated driver in the United States. When Bud Light entered the marketplace, its distinct ads helped its popularity to skyrocket past its in-brand counterpart (American Originals: Budweiser).

It would be remiss to have a conversation about Anheuser-Busch InBev advertising with anything other than the obvious: Super Bowl ads. According to various sources, the cost of a 30 second Super Bowl ad just topped \$5 million. This is in addition to the extremely high production cost of producing a Super Bowl caliber commercial. Considering Anheuser-Busch InBev took in \$45.571 billion in worldwide revenue in 2016, a Super Bowl commercial is a proverbial drop in the beer barrel (BUD Income Statement). This is in comparison to one of the largest craft brewers, Boston Beer Company, which only took in \$906.446 million in revenue last year (SAM Income Statement). Those figures show the dichotomy between the largest macro brewer and one of the largest craft breweries. It also explains why big beer owns the Super Bowl. Craft breweries simply can't afford to compete

An advertisement is only as good as its content. Spending millions on a Super Bowl ad is money well spent if it portrays the intended message. If it doesn't, or conveys another message entirely, the advert is a total failure. Anheuser-Busch InBev typically advertises its Budweiser brand in the American market. This includes the most popular beer in the United States, Bud Light, which had \$5.6 billion in volume sales in 2017 alone (Harrington). The goal of the next passage is not to summarize all of InBev's Super Bowl advertisements. (That would take thousands of pages.) It is simply to look at the highlights, so they can be related back to craft beer.

A lot of Budweiser's Super Bowl commercials ignore beer entirely. A 2014 commercial depicted a puppy befriending a Clydesdale (one of Budweiser's symbols). In 2010, another showed a Budweiser truck driving across a human bridge. In 2018, the main Budweiser advertisement showed Budweiser's commitment to the community, stopping beer production and using the facilities to produce canned water to send to disaster areas.

Then came one of the more memorable advertising campaigns of the past decade, Dilly Dilly. Dilly Dilly is a phrase used in Bud Light commercials beginning in 2018 (figure 1). According to InBev's Chief Marketing Officer, it is a phrase that means "nothing". It has no meaning. It is simply a memorable phrase (Flanagan). InBev used the phrase to create numerous commercials both for the Super Bowl and general market.



Figure 2 (Ansett)

One notable exception to this general rule came in 2015 with a distinctly different sort of advertisement coming from Budweiser. Their "Brewed the Hard Way" commercial took a clear and direct approach: attack craft beer. The add describes Budweiser as "clearly a macro beer" (figure 2), a beer "not to be fussed over", and "brewed for drinking not dissecting". The add even takes a direct swipe at the craft beer consumer saying "" let them sip their pumpkin peach ale, we'll be brewing us some golden suds" (Harwell). The advertisement took a bashing in the media. Miller Coors even released a statement disagreeing with the add.



Figure 1 (Disney)

Besides the Super Bowl, InBev has attempted to enter all aspect of American life. For a long time, Budweiser has been a long-time sponsor of NASCAR, beginning in the 1980s. Their most famous NASCAR advertising came in the form Dale Earnhardt Jr's number eight car in the early 2000s. Budweiser brings their Clydesdale horses to races, allowing them to interact with even the youngest fans. People in the stands drink Budweiser and Bud Light from aluminum bottles as their favorite drivers' speed around the raceway.

All of Budweiser's advertisements have one thing in common. They are all used, in one way or another, to advertise Budweiser as uniquely American. However, Budweiser is far from American. As previously stated, they are part of InBev, which currently has its headquarters in Belgium, a democracy headed by a monarch (Murphy, Alexander B., et al). A monarchy is the opposite of an American ideal. In fact, ever since the Revolutionary War, it has been just the opposite. InBev peddles Americana without actually being American. The fact that they are still able to sell beer using that messaging is either a case of brilliant advertising or consumer ignorance.

With that in mind, American craft brewers are distinctly American. However, as mentioned earlier, they lack the funding to compete with InBev on a national scale. Anheuser-Busch InBev's solution is painfully simple- buy craft breweries. This, theoretically, would give InBev the best of both worlds.

There are numerous examples of InBev's purchase of craft brewers. It is far more useful to delve into one example than to briefly touch on five or six. In this case, the discussion will focus on Chicago's Goose Island Brewery. They were a well-respected craft brewery purchased by InBev in 2011. The idea was simple, InBev would get to enter the craft beer market and Goose Island would become a more national brand. (One Anheuser-Busch executive explained that they had purchased Goose Island because it was "authentic" and "very credible".) Consumers were fundamentally concerned. They worried that Goose Island's beers would lose the authenticity of a true craft beer (Frake). (Of course, loss of authenticity is strictly a matter of opinion.) At the time a Goose Island Employee state that the "the beers will not change" (Frake). The main question comes down to what craft beer represents and how that relates with the messages coming from InBev at the time.

At first, the acquisition was met with outrage. Local newspapers wrote angry stories. Social media outlets became battleground, giving critics a platform to voice their displeasure. Some even went as far as comparing Anheuser Busch to Hitler (Frake). To the craft beer loyalist, it seems, Goose Island had sold out. One source said that, for some, the sale was "like watching their father pack up his bag and sept out for cigarettes" (Frake 16). Goose Island also took a lashing from other craft brewers for similar reasons.

An important note to make here is that, according to the Brewers Association, craft beer producers taken over by brewing conglomerates are no longer considered true craft brewers. This is because no more than 25% of a craft brewery can be owned by any other entity than a craft brewer (Frake). Therefore, when consumers and fellow brewers criticize craft brewers for being bought out, they are also criticizing them for giving up their titles as true craft brewers. (That distinction is in their own minds only. The commonly used definition of craft brewery from the Brewers Association has no legal standing).

Other brands owned by big beer include, Ballast Point, Lagunitas and many others. Some craft brewers have found it difficult to keep up. InBev has significantly more only to invest in distribution. Their power puts pressure on retailers and distributors to only carry their craft beers, rather than those produced by truly independent breweries. According to Felipe Szpigel, the president of a unit within Anheuser-Busch, the company is doing nothing wrong. They work to “encourage growth and choice” within the beer industry. He says that consumers will be the people responsible for which beers survive on store shelves (Bland).

Craft brewing had a rather simple response to the wave of craft acquisitions by the Macobreweries. The Brewers Association, the group that defines craft breweries, created the independent craft seal. This is a logo placed on the packaging of any beer produced by a craft brewer that meets the group’s strict definition of craft brewery. It consists of an upside-down beer bottle with the words “independent craft” written inside of it (Bland).

It’s an interesting phenomenon that InBev has gone out of its way to distinguish Budweiser from craft breweries, over compensating for the fact that it is owned by a Belgian company. It is borderline strange that InBev chooses to attack craft breweries. In a marketing class, that would be referred to as cannibalizing your own brand. Clearly, however, they seem to know what they’re doing.

Current State:

The current state of the American beer industry is a dream come true for all consumers of beer, from the beer maven who explores new brews each weekend, to those who enjoy a Coors Light sixteen Sundays per year watching football. Potential consumers have the luxury of strolling into drinking and establishments and liquor stores, where they are greeted by a variety of beers from around the world. Even the local chain steakhouse has, at last count, twenty-one different beers to choose from. Gone are the days where Americans drank beer to survive. They now consume it simply because they want to. It is, by definition, a luxury item.

As of 2014, Americans are drinking almost 6,200,000,000 gallons of beer per year (Reid et al.). To put that into perspective, that's enough beer to fill over 9300 Olympic sized swimming pools. The question then turns to what makes up that vast volume of beer. In 2013, craft brewers held 7.8% of the market in terms of beer production. The rest of the sales went to the only other option, macrobrewers such as InBev and MillerCoors. With that in mind, the craft brewing is on an upward trend in terms of increased market share, with an increase of 2.4 million barrels from 2012-2013 alone (Reid et al.).

In the modern beer industry, history seems to be repeating itself. The rise in craft beer in the modern day has a lot to do with contemporary American palates. People seem to desire a more flavorful product than the lighter beers produced by larger breweries. (The term light, in terms of beer, is in reference both to flavor and alcohol content.) Another part of the rise of craft beer is the idea of "neolocalism", which, in this context, is simply a desire for locally made products (Reid et al.). This is eerily similar to early Americans who imported beer from Europe because the domestic product of the time was not pleasurable. It also has to do with the resource partitioning theory. When relating to beer, it refers to the void in the market created by consumer distaste for American lagers. Craft brewers fill that void by offering beers in a

variety of styles and strengths (Reid et al.). Most beer produced by large brewers tends to be lighter styles hovering around the 5% alcohol by volume figure. This is simply not the case with craft beer. There are some craft beers that are made in styles most Americans have never been exposed to. Some is as much as three times stronger than beer brewed by most large breweries.

The rise of craft beer has created an interesting phenomenon in the beer industry. It created three distinct segments of the craft beer market. These are brewpubs, regional craft breweries, and microbreweries. Each segment has its own distinct strengths, weaknesses, and influence on today's beer market.

The definition of brewpub is simple. Brewpubs serve food alongside the beer that is made in house. They produce around 15,000 barrels of beer annually, of which at least 3,750 barrels are sold at the brewpub (Reid et al.). There were 1,165 brewpubs as of June 2013. (Reid et al.). Microbreweries, on the other hand, are breweries that makes less than 15,000 barrels of beer per year and sell at least 75% of it offsite. There were 1,221 microbreweries as of June 2013. Regional craft breweries are larger operations, producing between 15,000 and 6,000,000 barrels of beer per year (Reid et al.). (To put those numbers into perspective, one barrel of beer is equal to 31 gallons which is equal to 248 pints of beer.) There were 97 regional craft breweries as of June 2013. Another category exists known as contract brewers. These are brewers that pay other breweries to make their beer (Reid et al.).

Those numbers are in contrast to those of the nation's two macrobrewers, MillerCoors and Anheuser Busch. In total, they produce more than 158 million barrels of beer from 22 active breweries in 2012.

The 2,484 craft breweries in the United States are not distributed evenly from region to region. (Reid et al). There are two ways to look at the data, either by examining the total number of craft breweries per state or by looking at the number of craft breweries per capita. In order to

determine the geographical center for craft brewing in the contemporary United States, it is best to look at states that have high figures for both categories. According to Reid, the states that meet those qualifications are Colorado, Washington, Oregon, Michigan, California, and Wisconsin. (Reid et al.). The reasoning for that is rather complex and varies from state to state. Portland, Oregon is home to a large population of home brewers and a customer base that is very susceptible to new products (Reid et al.). Wisconsin, as mentioned previously, has always been a hub for beer production. The fact that it and its neighbor across Lake Michigan share a beer- loving culture should come as little surprise (Reid et al.). San Francisco's Anchor Brewing Company became the first post prohibition craft brewery in the United States. California's taste for craft beer spread from there.

As rich with craft breweries as some states are, there are other states that are, in comparison, lacking. There is a comparable lack of craft breweries in what most consider the "deep south". These states include, but are not limited to, Alabama, Georgia, Kentucky, and Mississippi (Reid et al.). There are a number of reasons for this. One of these is simply a lack of demand for craft beer. Another is the prevalence of dry counties in the American south, where alcohol is forbidden (Reid et al.). The lack of craft breweries in the south is also attributed to the legalization of home brewing. Compared to northern states, southern states took a greater amount of time to legalize home brewing. Of course, home brewing and commercial craft brewing are entirely different. Home brewing operations are not commercial and can operate without a license of any kind. Beer making kits and ingredients are sold both online and at home brew stores. With that in mind, a lot of great craft breweries begin as home brew operations (Reid et al.). If home brewing was illegal, it would have stifled some of those who would have gone on to found craft breweries. In addition, strong home brewing cultures often incubate a culture of craft beer lovers (Reid et al.). Even when home brewing was legalized, a lot

of stronger beers that craft breweries are known for, such as India Pale Ales (IPAs), were still prohibited. Without legalized home brewing and an excess of beer regulation in the American South, craft beer lost out.

The previous passage has described where American craft breweries are. The question that has not yet been addressed, however, is why craft brewing continues to grow across the United States. Neil Reid and his co-authors begin to answer this question by describing the resource partitioning theory. In layman's terms, the resource partitioning theory states that as a market flourishes, the rise of submarkets typically occurs (Reid et al.). In the case of beer, the tip of the proverbial pyramid began with InBev and MillerCoors. Consumers demanded more variety in their beer, creating a void in the market Craft breweries filled that void. (Note how American beer began with an American distaste for imported beer. This situation bears a stark similarity.)

Resource partitioning is mundane compared to the next factor regarding the contemporary growth of craft breweries in the United States. This factor is neolocalism (Reid et al.). Reid offers a long-winded definition of this idea, which simply boils down to the fact that consumers demand and enjoy local products (Reid et al.). This idea is most prevalently recognized in American food. People are moving away from large chains, turning instead to locally sourced products from small restaurants. People feel better when they're supporting their own community (Reid et al.). Craft breweries play up this idiosyncrasy in the American psyche in a number of ways. For example, Trillium Brewing Company in Canton, MA produces beers such as Congress Street India Pale Ale and Fort Point Pale Ale, which pay homage to Boston. Similarly, Newport (RI) Brewing Company produces a beer called 1639, the year Newport was founded. Craft breweries also participate in local charitable functions, further boosting the communities' endearment towards their products (Reid et al.).

When craft breweries become successful, they often look to expand past their local roots and onto the national stage. When they do this, they are referred to as regional craft breweries. The most well-known is the company responsible for Sam Adams Boston Lager, Boston Beer Company. They are far from the only regional craft brewer in the United States, though they are familiar to a lot of people because they sell their beer in all 50 states (Reid, Neil et al.). They are, however, members of a select club as only about four percent of craft breweries in the United States are large enough to be considered regional craft breweries (as of 2014) (Reid, et al.).

A craft brewery, like any company, is nothing without consumers. Thus, it is vital to understand who is drinking craft beer in order to gain a full understanding of craft beer in modern day America. Generally speaking, most craft beer drinkers have an income of at least \$50,000 per year, are white, and tend to be aged between 21 and 44 years old. This includes Millennials, those born after 1980 (Reid, et al.). They are a large contingent of the craft beer market. According to a 2012 study of millennials, 94% of millennials surveyed had tasted a new beer during the previous month and many had consumed a craft beer during the previous week. (Reid et al.). How are millennials finding out about new craft beers? They tend to rely on the simplest form of advertising- word of mouth. ("Millennials are five times more likely to be influenced by word of mouth advertising when it comes to a beer selection" (Reid, et al.).) They also tend to utilize the internet for everything from following their favorite breweries on social media, to keeping up with new releases, and finding out where to purchase their favorite craft brews (Reid, et al.). (Some craft beers are notoriously hard to find. Trillium Brewing Company's Congress Street India Pale Ale, for example is rarely, if ever, found outside of their brewery.) They even go online to websites such as Ratebeer.com, where any beer can be rated by anyone. There are also apps which perform the same function (Reid, et al.).

Millennials drink craft beer because they can identify with its properties. Millennials love to be exposed to new trends. They like to be the first who try a new product. According to Rachel Mender, Chief Administrative Officer of The Veloz Group and Beverly Hills Chairs, and President of Custom Tobacco, Millennials are unique from previous generation. They love social media. She cites J Public Relations founder Jamie Lynn Sigler, who said that "Millennials want to have fun above all else, where the process of discovering a new product or service is considered a form of entertainment" (Mender). Millennials are not worth overlooking either, because they hold over \$200 billion worth of overall purchasing power (Mender).

There is a constant steam of new craft beers entering the marketplace, especially considering that there is a seemingly endless variety of beer styles to choose from, most of which are not produced by InBev or MillerCoors. (Think of iPhones. Even though the old ones function perfectly fine, young people are obsessed with having the latest and the greatest.) Craft brewers market directly to that demographic, constantly innovating and introducing their respective markets to new styles of beer with varying flavors, colors, and alcohol contents. Granted, a lot of these new styles are not popular in the mass market. However, as the President of Heineken stated that "The craft beer consumer would rather be one of a kind than one of the guys" (Reid, et al.). Craft beer was never designed for the masses. It's designed to make those who consume it feel special. Millennials crave that feeling (Reid, et al.).

Throughout this thesis, most of the provided has been from around 2012. In the modern day, where things change with the click of a mouse, it is extremely difficult to obtain recent data. With that in mind, the director of the Brewers Association for Small and Independent Craft Brewers, Paul Gatza, and its Chief Economist, Bart Watson, recently gave a talk explaining the

current state of the craft beer industry in 2016. The following is a brief summary of what they found.

As of 2016, there are over 5300 craft breweries in the United States. There are more than 2 breweries opening every day (Watson, Gatza). That number is truly staggering. There were only 97 craft brewery closings in 2016. While that number may seem large, it is the lowest closure rate in many years. In that same time frame, 286 craft breweries opened their doors. In terms of overall growth, craft beer grew 6% from 2016-2017 in terms of volume. Granted, this is a lower growth rate than there has been in the past. Even so, craft beer production increased by 1.4 million barrels of beer from 2015 to 2016. Craft beer currently holds 12.3% of the beer market by volume and 21.9% of the market in terms of dollars. (This makes a lot of logical sense. Craft brewers do not produce nearly as much beer as large brewers. However, they tend to sell their products for significantly more money than large brewers do. This fact is easily demonstrated by walking into any local liquor store, where large cases of Budweiser and Coors Light fill store shelves and sell for somewhere in the vicinity of one dollar per can, while craft beer is rarely sold in entire cases and tends to average significantly more than the price of the same quantity of beer produced by a large brewer.) According to the Brewers Association, these are all positive numbers for the craft beer industry (Watson, Gatza).

In terms of more specific areas of the industry, tap rooms are becoming an increasingly large contingent of the craft brewing industry. In 2016, 2.3 million barrels were sold in tap rooms, an increase of 550,000 barrels from 2015. This is because, according to Gatza, taprooms are community gathering places that can capitalize on the fact that beer is a social beverage, more than something simply used for intoxication. Brewpub sales rose 14.8% since 2015. This is because food and beer is a trend in contemporary society. Microbreweries grew 27% since 2015. Regional craft breweries, however, are struggling

with a sales increase of only 0.9% from 2015 to 2016. Gatza cited the fact that regional brewers are too big to compete with craft breweries in terms of appeal to local audience. However, they are not large enough to have the distribution networks of large brewers.

Overall, craft beer sales are currently at an all-time high. The next part of this thesis will examine where the industry is going in the future. Large brewers continue to purchase craft breweries, increasing their reach into a space once solely held by the small and independent (Watson, Gatza). The current state of the craft beer industry is very good. It is vital to be able to use the history and current state of the craft beer industry to craft (pun intended) a vision for the future of craft beer.

Where We're Going:

Where the beer industry is going could be answered in an infinite number of ways. Before delving into any of them, it's important to note that this paper will be framing the answer in terms of macrobreweries vs. independent craft breweries. One can look at the answer in terms of economics, what consumers are buying and what consumers will buy in the future. This approach includes our climate and how it has influenced beer production and how it will continue to influence beer production in the future. Another way to look at it is the social aspect, why people are drinking certain beers and how those trends will change in the future, if at all. There is a historical aspect about historical repetition involved in the future of craft beer and macrobreweries. This paper will attempt to examine the highlights of each of those subcategories in order to synthesize a reasonable prediction.

As this thesis is being completed during October of 2018, multiple stories have been circulating regarding the prices of beer. Climate change, an extremely relevant topic in recent years, has had a previously unknown effect on beer production. The journal *Nature Plants* published an article on 15 October 2018 titled, "Decreases in Global Beer Supply Due to Extreme Drought and Heat". It claims barley, one of the major ingredients in beer, will be negatively impacted by climate change. A group of ten scientists from the international community predict that global beer production could drop as much as 16 percent. This could, they say, lead to average beer prices doubling, causing consumption to drop by over 7.5 billion gallons. The reason, however, is interesting. The price increase would have little to do with brewers competing with each other for a finite amount of the available barley crop. It has more to do with livestock farmers, who use barley as cattle feed. According to the paper, brewers will lose the battle for the barley simply because food is more important than beer, (This is supported by a 2017 article titled, "Negative Impacts of Climate Change on Cereal Yields:

Statistical evidence from France” that found climate change would cause an incremental drop in beer essential grain production.) The paper’s authors also believe that most alternatives will not work. They claim that various new barley varieties will not be viable in the extreme climate patterns being predicted in the future (Bland).

The chief economist of the Brewers Association, Bart Watson, is not worried. He doesn’t dispute climate science, though, he does say that the “study isn’t a great indicator of what is going to happen in the real world”. He goes on to say that he truly believes barley producers will adapt to the world’s changing climate. Watson also cites United States Department of Agriculture data that states grain production is shifting north into areas of Canada, which could, theoretically, remain cool enough to allow for barley production despite climate change. The president of the Idaho Grain Producers Association, Dwight Little, has similar sentiment. Little claims that barley producers regularly adapt to varying weather conditions. Climate change, he claims, is no different (Bland).

This study is so recent that there has not been much analysis of it as of yet. However, I still believe that some viable conclusions can be made. This thesis has already discussed that large brewers have far more capital than craft brewers. It has been established that they control most of the nationwide distribution and retail networks. Most independent craft beers are already more expensive than macro brews, which is apparent by walking into any local liquor store. However, craft beer drinkers are loyal and desire the quality and personal connection that only craft beer brings to them. The question then becomes, what is the maximum price that craft breweries can charge for their beer and still stay in business? If prices double as the article suggests, it looks as if macro brewers will essentially gain a monopoly on the grain market. They will get the lowest price on grain because they are big enough to sit at the negotiating table with cattle producers and foreign governments in order to negotiate the best possible

price. This means that, unfortunately, if the study is correct, craft brewers will either sell out in order to have big beer's access to grain production or be forced to shut down for good.

Furthermore, the analysis of the economic impact of beer must not be overlooked. Numbers can often show trends which can help predict the future. This process comes with considerable difficulty. Molson Coors and InBev, the two largest macrobrewers, are both publicly traded. Their financials can be examined simply by looking up their data, which is publicly available. Analyzing the nation's over 6000 craft breweries as a unit can only be done by looking to the Brewers Association, the only group that keeps track of craft breweries as a single unit.

Interestingly, when looking at the trend lines for both Molson Coors and InBev over a ten-year period, there are some similarities. Both companies started relatively low. Both showed severe drops in 2015 and peaks in 2016. They have both been on severe downward trends in the market since then, with InBev currently at its lowest stock level since 2012 and Molson Coors sitting at its lowest since 2014. For comparison's sake, Boston Beer Company, the maker of Samuel Adams Boston Lager, has a far different trend over the same period. It was far more dramatic than either Miller Coors or InBev, hitting a large peak in 2015 and again in 2018 compared to the Macrobrewers' more steady figures. Currently Boston Beer is on a very slight downward trend (SAM Interactive Chart). Granted, this thesis is not a detailed study of economics. It was never intended to be. However, the downward trend for big beer could signal more downward trends in the future. Due to their similarities, it seems as if consumers have similar investing patterns with Macro Brewers. Also, the volatility of Sam Adams stock could be a benchmark for how craft beer behaves in the marketplace.

The number of US craft breweries is on the rise. There has been a 5039 percent increase in the number of US breweries between 1986 (124 breweries) and 2017 (6372 breweries). From

2012 to 2017, where the most detailed data comes from, a vast majority of that increase has come in the craft brewing segment. Since 2012, there was an increase of only 51 non-craft breweries openings in the United States. During that same period, there was an increase of 3864 craft breweries. From 2016 to 2017 alone, there was a 16 percent increase in total breweries in the United States. The number of closings has been extremely small in comparison. However, it is significant, closings have been on the rise as well. (Historical U.S. Brewery Count). This makes sense. Certain percentages of every business fail. As of now, there has been no net decrease in the number of brewery openings in the United States.

According to a 2014 study, the Brewers Association has a goal to obtain 20% of the US beer market by 2020. Meeting this goal could be problematic because that would mean sustaining growth. Potential problems with this goal are numerous. They include the fact that acquired craft breweries could become a problem for craft brewers in the future. Not only are they taking resources, but their sales figures are no longer counted along with data from true craft breweries. Attaining the goal would also mean that growth rates would need to continue to rise at current rates (Just-Drinks-on-Trend).

Some brewers will begin to differentiate their products in order to appeal to more than just the common beer drinker. According to a 2016 presentation to stockholders, InBev hoped to do just that in the near future by introducing alternative beverages to beer. These alternatives included “MixxTail”, Skol Beats Senses, Oculito, and Ritas (AB InBev Introductory Presentation). Interestingly enough, the only one of those still on sale at the time of writing were the Bud Light Ritas, a malt beverage based on Bud Light. The others simply didn’t survive in today’s market.

There are some items from a 2018 presentation by the Molson Coors company that may hint at where big beer is going in the future. Molson Coors showed 62 percent in absolute net

sales growth from 2015 to 2017. In order to maintain this, they too are interested in expanding their brand portfolio and strengthening other non-macro beer products, a process they refer to as premiumization. The first way they want to do this is by continuing to focus on their “craft” beers. These include Blue Moon and Leinenkugel’s. Miller Coors also wants to continue to work on its FMB (flavored malt beverage) and cider segments. (According to the presentation, cider is the fastest growing segment.) Its fastest growing FMB innovation is a product called Arnold Palmer Spiked, a hard mixture of lemonade and iced tea. According to the company, it is attracting new consumers and taking away some business from the spirits and wine segments. It has also seen some of their imports growing. Peroni, one of its European imports, is showing the strongest growth in its segment. Sol, one of its Mexican beers, has also shown the strongest growth rate in its segment. The presentation also mentions potential growth into the marijuana infused beverage market for Canada where marijuana is now legal nationwide (Molson Coors Barclays Consumer Staples Conference). If the United States follows its northern neighbor’s lead, it could lead to a huge impact on the beer industry. How that will happen, however, remains to be seen.

Boston Brewing company has also been interested in differentiation. It has launched a number of brands through the years. Beginning in 2001 with the introduction of Twisted Tea, a manufacturer of more than ten hard iced teas drinks. In 2014, the brand launched a range of hard lemonades. These include Angry Orchard, a producer of sparkling hard cider based in New York. Founded in 2012, they currently brew around five year-round ciders in addition to various specialty and limited release ciders. Spiked Sparkling, another subsidiary, was launched in 2016, offering hard sparkling water in various flavors. In 2011, A&S brewing was launched. It is, according to the Boston Beer Company Website, a “a craft beer incubator.” There are currently four craft brewers under the A&S umbrella (Brands).

This new outlook on beer relates directly back to the history of beer discussed earlier in this thesis. American beer drinkers originally demanded new products because they didn't enjoy what was available, leading to the first bohemian brewers expanding their craft in the United States (Mittelman 16). The only difference is the sheer variety of products we are able to create with modern food science and the advances in food transportation, making a wider variety of products available to a phenomenally large conglomerate of consumers.

In terms of specific beer styles in the craft beer world, an interview conducted with Bart Watson by Mike Pomranz of *Food & Wine* magazine gives some insight. While overall growth is slowing down, and as beer companies continue to look into differentiation, some specific varieties of beer continue to do well in the craft segment. According to Watson, the American India Pale Ale (IPA) continues to create the most growth for the craft beer industry. This does not include American IPA's owned by large brewers, such as the aforementioned Goose Island, among others. These "Juicy or Hazy Pale Ales and IPAs," as they are officially referred to, made up for 1.4% of craft beer sales. A number that is expected to rise. Furthermore, Watson expects lighter styles of beer to continue to grow into the future, such as kolsch, wheat ale, and blonde ale (Pomranz). This is further evidenced by recent new beers produced by some of the more well-known brewers. Guinness, for example, just produced a blonde in 2014.

This brings about an interesting phenomenon. Americans love their light beer. Craft beer has consistently attempted to portray themselves as the direct opposite to light beer, offering full flavored beers in comparison to the lighter lagers and pilsners produced by large brewers, such as the infamous Bud Light. It appears that, whether the craft brewing community cares to admit it or not, even craft brewers are beginning to adapt to the light beer trend.

Conclusion:

The story of beer is extremely unique. It is full of as many idiosyncrasies, subplots, heroes, villains, and intrigue as any of humanity's great narratives. While the next chapter is the story is largely unwritten, the information contained in this thesis grants a reasonable prediction based on the history of craft beer, the history of big beer, and the current state of the beer industry. While most predications are inherently uncertain, the facts presented paint a plausible picture about the history of beer, the current state of beer, and where the beer industry is going in the future. The beer industry is clearly heading toward an era of differentiation in addition to an era where craft beer producers will make lighter beers in order to compete with big beer.

It is important to note, however, that this thesis does not tell the entire story. It was never intended to. This thesis attempts to describe the history of beer and how we can use that information to predict where the beer industry is going in the future and is limiting itself to American beer. Each subtopic mentioned in the previous pages could warrant a thesis of its own. That is extremely important to keep in mind while considering the points made here. It is only focused on the American beer market. Foreign markets are most likely very different for the sheer fact that a lot of countries have been brewing beer longer than Americans have. This thesis is not an end to the American beer story and, as just mentioned, has not even touched the story of beer on the world stage. It is rather an enlightened beginning, an invitation to sit down and discuss the wonderful world of beer, perhaps while doing a little bit of "market research" (i.e. drinking).

Works Cited

- AB InBev Introductory Presentation*. Jan. 2016, www.ab-inbev.com/content/dam/universaltemplate/ab-inbev/investors/releases/15January2016/Anheuser-Busch%20InBev%20-%20Roadshow%20-%20January%202016.pdf.
- “An Ambitious Legacy.” Budweiser.com, www.budweiser.com/en/our-legacy.html.
- “America's First Lager Historical Marker.” ExplorePAHistory.com, explorepahistory.com/hmarker.php?markerId=1-A-31C
- Andrews, Evan. “Who Invented Beer?” History.com, A&E Television Networks, 8 Jan. 2014, www.history.com/news/ask-history/who-invented-beer.
- “Anheuser-Busch InBev.” *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., 17 Nov. 2016, www.britannica.com/topic/Anheuser-Busch-InBev.
- Ansett, Dave. “How Bud Defied Consumer Research to Create a Viral Campaign.” *Truly Deeply - Brand Agency Melbourne*, 12 Dec. 2017, www.trulydeeply.com.au/2017/12/bud-dilly-dilly-viral-campaign-branding-agency/.
- Bamforth, Charles W., and Charles Bamforth. *Beer : Tap into the Art and Science of Brewing*, Oxford University Press, 2003. ProQuest Ebook Central, <https://ebookcentral.proquest.com/lib/jwu/detail.action?docID=279517>.
- Bernstein, Adam. “Joseph Owades Dies at 86; The Father of Light Beer.” *The Washington Post*, WP Company, 21 Dec. 2005, www.washingtonpost.com/wp-dyn/content/article/2005/12/20/AR2005122001540.html.
- Bland, Alastair. “Bye, Bye, Beer? Brewers Say They've Got A Plan On Climate Change.” *NPR*, NPR, 18 Oct. 2018, www.npr.org/sections/thesalt/2018/10/18/658174335/brewers-barley-growers-say-don-t-drown-your-sorrows-over-global-warming-just-yet.

- Bland, Alastair. "Craft Beer, Brought To You By Big Beer." *NPR*, NPR, 28 July 2017, www.npr.org/sections/thesalt/2017/07/28/539760477/craft-beer-brought-to-you-by-big-beer.
- "Brands." *The Boston Beer Company - IR Site*, www.bostonbeer.com/index.php/our-company/brands.
- "Brewers Association Purpose." *Brewers Association*, www.brewersassociation.org/brewers-association/purpose/.
- Disney, Aashvi. "Budweiser Super Bowl Commercial 2015 USA Today Vote: 5.15." *YouTube*, YouTube, 22 Mar. 2015, www.youtube.com/watch?v=yyVgO_j8vxw&t=1s.
- Ferdman, Roberto A. "Why Americans Have Such Bad Taste in Beer." *The Washington Post*, WP Company, 12 June 2015, www.washingtonpost.com/news/wonk/wp/2015/06/12/why-americans-have-such-bad-taste-in-beer/?utm_term=.33149dcdf8ce.
- George, Jeremy L. "Local brewery renaissance: A social history of small breweries in the Ozarks Part I."
- "Historical U.S. Brewery Count." *Brewers Association*, www.brewersassociation.org/statistics/number-of-breweries/.
- "Hop." *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., 5 Mar. 2014, www.britannica.com/plant/hop.
- "Just-Drinks on-Trend: Craft Beer's Fortunes and Future." *Aroq - Just-Drinks*, Apr. 2014, p. i-26. EBSCOhost, jwupvdz.idm.oclc.org/login?url=https://search.ebscohost.com/login.aspx?direct=true&db=fsr&AN=95999441&site=ehost-live&scope=site.
- "Malt | Definition of Malt in English by Oxford Dictionaries." *Oxford Dictionaries | English*, Oxford Dictionaries, en.oxforddictionaries.com/definition/malt.

- Mendler, Rachel. "What You Need To Know To Market To Millennials." *Forbes*, Forbes Magazine, 3 Oct. 2017, www.forbes.com/sites/forbescommunicationscouncil/2017/09/18/what-you-need-to-know-to-market-to-millennials/#5e8bf791b34c.
- "MillerCoors." *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., 6 Feb. 2017, www.britannica.com/topic/MillerCoors.
- Mittelman, Amy. *Brewing Battles : A History of American Beer*. New York, Algora Pub, 2008. JWU library, <https://web-a-ebscohost-com.jwupvdz.idm.oclc.org/ehost/detail/detail?vid=0&sid=47ec9728-d7e0-42c6-a5....>
- "Molson Coors Barclays Consumer Staples Conference ." 5 Sept. 2018.
- Murphy, Alexander B., et al. "Belgium." *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., 12 Nov. 2018, www.britannica.com/place/Belgium.
- "Our Brands." *Who We Are | AB InBev*, www.ab-inbev.com/our-brands.html.
- "Our Heritage." *Who We Are | AB InBev*, www.ab-inbev.com/who-we-are/heritage.html.
- "Our History." *Molson Coors*, molsoncoors.com/en/our-story/our-history.
- Pomranz, Mike. "The Most Popular Beer Trends of 2018 (So Far)." *Food & Wine*, 31 May 2018, www.foodandwine.com/news/most-popular-beer-trends-2018-brewers-association.
- Raley, Linda. "Beer History." Beer History.com, www.beerhistory.com/library/holdings/raley_timetable.shtml.
- Reid, Neil, et al. "From Yellow Fizz to Big Biz: American Craft Beer Comes of Age." *Focus on Geography*, vol. 57, no. 3, 2014, pp. 114–125., doi:10.1111/foge.12034.
- Roach, Dylan. "These 5 Beer Makers Own More than Half of the World's Beer." *Business Insider*, Business Insider, 9 Feb. 2016, www.businessinsider.com/biggest-beer-companies-in-the-world-2016-1.

“SAM Interactive Chart | Boston Beer Company, Inc. (The) Stock.” Yahoo! Finance, Yahoo!, 21 Oct. 2018, finance.yahoo.com/quote/SAM/chart?

Team, Trefis. “The Year That Was: Anheuser-Busch InBev.” *Forbes*, Forbes Magazine, 26 Jan. 2017, www.forbes.com/sites/greatspeculations/2017/01/26/the-year-that-was-anheuser-busch-inbev/#4cf12d001558.

Watson, Bart, and Paul Gatz. “State of the Industry.” Brewersassociation.org, Brewers Association for Small and Independent Craft Brewers, 12 Apr. 2017, www.brewersassociation.org/wp-content/uploads/2017/04/CBC17_State-of-the-Industry.pdf.